

Exhibit No. 3Date 3-18-09Bill No. HB 365PACE Center
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Billings, Montana 59102

To: Members of the Senate Public Health, Welfare and Safety Committee

From: Anne Gonzalez
Director, Billings Clinic Program of All-Inclusive Care for the Elderly (PACE)

Date: March 18, 2009

Subject: HB 365

For the record, I am Anne Gonzalez; Director of the Billings Clinic Program of All-Inclusive Care for the Elderly (PACE). I am testifying today in support of House Bill No. 365 an act providing for Programs of All-Inclusive Care for the Elderly; allowing a waiver of health maintenance organization requirements.

PACE serves frail seniors who eligible for Medicare and/or Medicaid and are at risk for nursing home placement. PACE programs coordinate and provide all needed preventive, primary, acute and long term care and related services (including medications) that enable seniors to live in the community as independently as possible. PACE is funded by combined Medicare and Medicaid capitated or fixed per member per month payments. As a PACE provider, Billings Clinic assumes full financial risk for provision of the entire range of healthcare and support services needed by its enrollees. PACE has proven to be a successful model for states throughout the nation who have a desire to reduce Medicaid expenditures, improve quality of care and integrate care provided to frail elderly individuals across time and service settings.

PACE programs have been in existence across the nation since 1973; however, they have been only located in urban centers. Senator Max Baucus was instrumental in obtaining money from Congress to fund 15 rural PACE start up grants. Billings Clinic received one of the grants and worked over the last three years with Centers for Medicare and Medicaid Services (CMS) and the Department of Public Health and Human Services (DPHHS), Senior and Long Term Care Division to develop and receive approval to establish the first PACE program in Montana operating in two sites-Yellowstone County and Livingston to serve a total of 130 enrollees.

PACE is a capitated benefit authorized by the Balanced Budget Act (BBA) of 1997. The PACE Final Regulation was enacted in 2006: 42 CFR Parts 460, 462, 466, 473 and 476-Medicare and Medicaid Programs; Programs of All-Inclusive Care for the Elderly. The BBA established the PACE model of care as a permanent entity within the Medicare program and enabled States to provide PACE services to Medicaid beneficiaries as a State option. PACE is administered under a three-party agreement with CMS and the DPHHS.

Prior to entering into an agreement to provide PACE services, Billings Clinic was required to submit a lengthy application which covered all aspects of PACE program administration, operation, financing and oversight. The application was reviewed and approved by DPHHS and CMS. During this process, Billings Clinic was required to establish its fiscal soundness to assume financial risk in accordance with 42 CFR Part 460.80(a). The regulation requires that the PACE organization provide proof of financial solvency, financial projections for the PACE program, risk reserve figures and an insolvency plan. As required in the application, Billings Clinic submitted a letter from its Chief Financial Officer pledging Billings Clinic's full financial reserves to cover all PACE liabilities and obligations in the event of insolvency. DPHHS and CMS reviewed the documentation provided by Billings Clinic and approved the application.

Per the terms of the PACE Program Agreement, Billings Clinic must submit to CMS and DPHHS quarterly and annual financial and quality reports that substantiate the continued ability of Billings Clinic to operate a risk-based program.

Effective October 1, 2008, Billings Clinic, DPHHS and CMS entered into a PACE Program Agreement allowing Billings Clinic to operate a PACE program in Montana. After the execution of the agreement, Billings Clinic was made aware that federal requirements of the PACE program, which require PACE to enroll (if eligible) individuals who are Medicare beneficiaries without Medicaid and private pay individuals appeared to violate existing Montana Health Maintenance Organization statutes. Nationally, 97% of PACE enrollees are dually eligible for Medicare and Medicaid. Of the 130 participants that Billings Clinic PACE is expected to serve, those that would have a private pay obligation would be up to 4 individuals. Billings Clinic requested and was granted a temporary waiver by CMS to suspend enrollment of individuals who are affected by this situation pending satisfactory resolution of the matter.

HB 365 will modify existing HMO statutes to allow the Commissioner of Insurance to grant PACE organizations a waiver of existing HMO requirements based criteria specific criteria. Billings Clinic, in the operation of the PACE program is under the ongoing oversight of DPHHS and CMS according to the terms contained in the PACE Program Agreement. This oversight along with that of the insurance commissioner, as set forth in this bill, will ensure that PACE enrollees who have a private pay obligation are not placed at undue risk by enrollment and ongoing participation in the PACE program. Failure to pass this bill will impose an additional set of requirements and financial and administrative burden upon the PACE program that could result in closure of this important program.

I ask that the committee support this bill. On behalf of Billings Clinic and the PACE participants that it serves, I thank you for the opportunity to provide this testimony. If you would like further information, please feel free to contact me at (406) 247-6315 or at agonzalez@billingsclinic.org.